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The New Rockefeller Report Calls for Nuclear Brinksmanship and Stepped Up Arms Race, Page 2

I. F. Stone's Weekly

VOL. VI. NO. 47 DECEMBER 14, 1959 WASHINGTON, D. C. 15 CENTS

What the Democrats Did Not Say in 10,000 Words

The Democratic Advisory Council in its policy statement for the 1960 campaign accuses the Eisenhower Administration of failing to provide "the bold and creative leadership required . . . in the nuclear age." But even the Council, which speaks for the liberal wing of the party, was so timid, divided and uncreative that it managed to issue a 10,000 word statement without saying one word on the most immediate and urgent of our nuclear problems. Are they for or against a cessation of nuclear testing? Would they continue or drop the negotiations in Geneva for a test ban? One searches the statement in vain for an answer. "The Republicans," says the statement, "permitted Mr. Khrushchov to take from us the mantle of leadership which we had for so long held in proposals for disarmament." But the Democrats offer less leadership than the Republicans. Last-minute revisions took out of the statement, as drafted originally under Mr. Acheson's aegis, those continued cold war phrases which would have made ludicrous the criticism of the Eisenhower Administration for "extreme rigidity in our relations with the U.S.S.R." But Mrs. Roosevelt and the more liberal elements were unable to substitute constructive proposals. The roadblock became obvious when Mr. Truman made a bitter attack on the *New York Post* which recently criticized him for advocating a resumption of testing. Until Mr. Truman and Mr. Acheson are retired from the councils of the party, it will never be able to convince the country that it stands for peace.

They Don't Really Like Disarmament

The eloquent silence on the No. 1 peace issue was made the more resounding by the presence of Adlai Stevenson. The party could so easily have claimed that Eisenhower in the test ban negotiations was merely following the lead Mr. Stevenson suggested in 1956 and Mr. Nixon rejected so scornfully. The Advisory Council, in discussing other issues, made room for much that forward-looking Democrats have pioneered: excellent sections on power and water resources, on medical aid, on tax reform. Even Kefauver, whom the party bosses hate, was paid the tribute of a section summarizing the pioneering work he has done in the field of administered prices. But when the statement came to disarmament, it confined itself to generalities—and to warnings against a "rash and reckless . . . unilateral disarmament" no one has proposed. "We are not afraid," said the statement, "to have the United States raise the banner of idealism." But there was no section summarizing the work done by Senator Humphrey, the one Democrat who has not been afraid to translate idealism into concrete proposals on disarmament. At Yale, only 24 hours earlier, he had outlined a program for control of long-range missiles and bombers, for cessation of nuclear weapons production (as well as testing) and for a world-wide multi-nation system against surprise attack. Here was the creative leadership the Advisory Council claimed it wanted, but not a line of this crept into their statement. Trimmers like Kennedy were hailed by Truman as fighting liberals and nonentities like Symington, who is the darling of the arms lobby, were hailed as statesmen. But Humphrey, just because of his work on disarmament, is a party stepchild, though one who has to be handled carefully because of his grass roots support.

We found the statement's attack on the Republican party for its "age-old affinity for the moneyed interests" nauseating, an echo of Mr. Truman's courthouse tub-thumping manner. How little these Democrats do about "the moneyed interests" when (see page 3) in power! How little they did in the last session of Congress! How frightened they are, when discussing the key problem of national growth, even to use the word planning! On civil liberties they offered nothing but a "me, too" to the President's position in favor of repealing the non-Communist disclaimer provisions of the scholarship act. And we deplore, in the interests of better Latin American relations, their Red menace smear of Cuba.

Allen Dulles Imagines Himself Secretary of State

Ours is so far as we know the only country in the world whose spy chiefs go around making speeches on public policy. In England it would be unthinkable for the head of British intelligence to deliver public speeches. Here Allen W. Dulles of CIA is joining J. Edgar Hoover as a publicity seeker, and a would-be moulder of policy. His speech Dec. 4 before the National Association of Manufacturers in New York trespassed in two areas on the prerogatives of the President and the Secretary of State. One is in Latin America; it undercut some wise efforts by Mr. Eisenhower and Mr. Herter for better relations with Panama by picturing nationalist difficulties there as a Communist plot; he slurred the new Cuban government in the same way. The other area is that of Soviet relations; like J. Edgar Hoover he thinks moves toward co-existence are subversive. Mr. Dulles told the NAM danger will increase if the Russians feel it safe to shift their spending from military to non-military purposes. This is to say that non-military competition, with all the hope it offers of constructive aid to the rest of the world, would be more dangerous than the wastes and tensions of a continued arms race. We note that a Soviet commentator, Igor Orlov, said of the speech that Mr. Dulles "displays a surprising lack of confidence in the ability of the system he represents to compete with the Socialist countries on a fair and honest basis." Mr. Dulles laid himself—and our country—wide open to that one.

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Creation of A Nuclear Arms Pool for West Europe and Stepped Up Arms Race Envisaged

Nuclear Brinksmanship the Implicit Doctrine of the New Rockefeller Report

The latest Rockefeller Report is called *The Mid-Century Challenge to U. S. Foreign Policy.* It manages to discuss the Middle East without once mentioning the word "oil." It discusses our relations with Communist China without saying whether we ought to recognize it. "The value of diplomatic recognition and admission to the United Nations," it says bravely, "can be variously debated. In any case these somewhat technical problems do not go to the heart of the problem." The heart of the problem is never identified.

The report is for peace *but.* "Peace," it says, "is obviously one of the grand objectives of American foreign policy." *But* "a foreign policy which devoted itself exclusively to avoiding war would neglect the constructive aspects out of which a true peace must develop." The report seems to be recommending brinksmanship. "The risks which arise from the possibility of war," it says, "are great. But by resolutely accepting the risk—and by that alone—we gain a decent chance of avoiding it." This is the Dulles doctrine 100 proof.

Teller and Kissinger Influence

A note explains that Henry A. Kissinger, the poet laureate of limited nuclear war, "was consulted in the preparation" of this new report. Edward Teller is on the Rockefeller panel. Their views are discernible behind the rhetoric about the need to face up to the possibility of nuclear war.

A basic American objective, says the report ponderously, is "national survival." The nuclear stalemate presents this issue "in its starkest form." But the issue is to be met, not by learning to live together, but by a stepped up arms race. "In the moral crises which these new weapons present," the report continues pompously, "there is particular need to be clear on the issue of the continued existence of our nation. The price of survival will not be cheap in terms of the effort and the will which go into maintaining strong arms." The U. S. must have "the kind of military establishment which allows it to respond to limited attacks with limited means." And "if worst comes to worst" all-out nuclear war must be faced. "The destruction it could wreak on us and on others is fearful to consider," the report says, "but failure to face up to the threat of such a war undermines the hope of achieving any sort of tolerable world order."

The report seems to be synchronized with a drive for the establishment of a nuclear arms pool under West European control (see box below). "Assuming Europe will possess atomic arms," the report says, readily assuming what thoughtful people would like to avoid, "it would seem desirable that it create an atomic pool which will complement other forms of European cooperation."

Cheerful Note

We were cheered no end by one piece of news from the annual meeting just held by the National Association of Manufacturers in New York. At a civil defense seminar, Esso Standard Oil Company and its Rockefeller family bank, Chase Manhattan, disclosed that they have both established duplicate headquarters in the rural areas of New York State where microfilmed records are maintained daily in underground vaults with skeleton staffs "to assure continuity of operations" in the event of a nuclear attack. We know it will be a source of satisfaction to the rest of us, looking down on earth from our heavenly abode after the holocaust, to know that within a few years the Standard oil trust will be operating again, a little radioactive perhaps but as vigilant as ever in the defense of freedom.

Some Items That Point to the Spread of Nuclear Weapons: Canada and Germany Next

Another of those reports to the Senate Foreign Relations Committee by what might irreverently be termed the cold war eggheads* foresees that nuclear engineering will soon make fissionable materials more plentiful and less expensive.

"Such achievements," says this report released Dec. 6, "can be expected to facilitate the nuclearizing of small wars, the nuclear arming of allies, and the spread of nuclear power to additional countries. It seems unlikely, however, that these effects will be significantly assymetrical in their impact on the US-USSR power equation."

This is academic gobblydegook meaning that the spread of nuclear weapons won't change the balance of terror between the two big powers. It will just spread the number of countries sitting tensely at atomic triggers.

Before someone rushes up to say that all this is contrary to the spirit of Camp David, it would be well to ask which meeting at Camp David. In Ottawa Dec. 3, the Canadian Defense Minister disclosed that the question of supplying Canada's armed forces with nuclear warheads was discussed at a U. S.-Canadian Cabinet Defense Committee meeting at Camp David in November.

Britain and West Germany have concluded an agreement to share and develop certain strategic armaments, including guided missiles. According to the London Observer (Dec. 6) the Germans will use Britain's atomic testing grounds in Woomera. Should nuclear warheads be issued to the Germans, these "would be kept under British control under a scheme similar to that by which the U. S. controls the warheads of the RAF's long range Thors in East Anglia." Who knows how long before the Germans control Egyptian warheads while the British control German warheads . . . ? If only someone dependable would then hold ours.

The defense committee of the Western European Union meeting in Paris (London Times, Dec. 3) recommended a European strategic nuclear force independent of the U. S. and NATO. German Socialists at the meeting opposed the idea but Christian Democrats approved it "provided that Germany did not have to take part in the production of nuclear weapons."

That same day the West German Defense Ministry announced it had no intention of asking for the removal of restrictions on the manufacture of atomic, bacterial or chemical weapons. It admitted, however, that the Western European Defense Committee had recommended that Germany be allowed to build bigger warships and submarines.

Eighty Laborites in the House of Commons, according to a New York Times dispatch (Dec. 4), have signed a protest against supplying West Germany with tactical atomic weapons. This is the way the wind is blowing.

***Developments in Military Technology and Their Impact on U. S. Strategy and Foreign Policy by the Washington Center of Foreign Policy Research, Johns Hopkins Univ., Arnold Wolfers, director.**

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Challenging "Rocky" to Begin Those Arms Race Sacrifices With Esso's Tax Privileges

The Democrats Talk Big But Do Nothing About Oil Depletion Allowances

There is always a large gap between the social demagogy of the Democrats and their performance. An example is their position on depletion allowances, one of the biggest scandals of the whole tax structure. The Democratic Advisory Council in its new statement praises the House Ways and Means Committee for its current hearings on these and other tax loopholes. But the Democratic party in the whole period of its ascendancy from 1932 to 1952 never made a dent in the depletion privilege.

Just how little the Democrats can be relied upon was illustrated in this past year's Congress which they controlled. An attempt by Senators Douglas, Proxmire and Clark to reduce depletion allowances never got out of committee. When Douglas tried to move it as an amendment to another bill on June 25, it was defeated 54 to 21. More scandalous was the failure of the Democrats to do anything about a growing extension of the depletion privilege which is so bad that even the Eisenhower Administration tried to do something about it, for it may mean several billions in lost revenue. Here is the little known story:

A New Steal in Steel

Depletion allowances now cover a wide range of extractive industries, though none get as high a rate as oil. Recent court decisions have begun to allow producers to take this allowance not on the gross value of the ore but on the gross value of products manufactured from it. An example from the steel industry, as given by a Treasury witness to House Ways and Means last March will illustrate.

Two tons of iron ore sell at about $16. The one ton of pig iron produced from these two tons of ore sells at about $60. The Treasury insists that the depletion allowance should be taken on the ore. This would be about $2.40. The producers want it taken on the pig iron, which would give them a tax deduction of $9. At least one steel producer takes the position that it is entitled to compute depletion on the selling price of the finished steel products. If this position were to prevail, the deduction in the case of structural steel would be $16.50, and in the case of structural steel bolts $44.25, or more than 18 times the deduction based on the value of the iron ore. The Eisenhower Administration introduced legislation to limit depletion allowances to the value of the ore. The bill never got out of committee.

The latest Rockefeller report asks us to show a "capacity for sacrifice" in meeting the costs of larger military expenditures. A good place for sacrifice to begin would be with the depletion allowances of the oil and gas industry. Figures marshalled by Senator Douglas showed that while all corporations in 1954 paid an effective rate of 48 percent, the 24 largest oil companies paid only 22 percent and Esso's main domestic producing subsidiary Humble only 16 percent, thanks to depletion allowances. Will "Rocky" prevail on the Standard Oil Companies to lead the way?

A Spur to Waste and Monopoly

"In addition to impairing the public revenue, perpetrating social injustice, and creating a powerful vested interest, the depletion allowance has certain other adverse economic consequences. . . .

"It stimulates excessive and unnecessary investment in the areas affected, thereby producing excess capacity and wasting scarce capital. . . . It tends to stimulate the hasty, inefficient and wasteful exploitation of scarce and exhaustible natural resources. . . . It tends to concentrate the wealth and income in the hands of those strategically situated. . . . The depletion allowance is fraught with so much evil and is so devoid of merit that it should be discontinued forthwith as an instrument of public policy."

—Prof. Horace M. Gray, Univ. of Illinois, pps. 981-2, Tax Revision Compendium, Current House Ways and Means Committee Hearings.

How $200,000 In An Oil Well Becomes A $600,000 Draft on the U. S. Treasury

How tax depletion allowances can be used to turn a $200,000 investment in an oil well into a $600,000 tax credit at the expense of the U. S. Treasury is demonstrated by Prof. John A. Menge of Dartmouth in one of the papers contributed to the current tax base hearings being held by the House Ways and Means Committee (see Vol. 2, p. 967 of the Tax Revision Compendium, published by the Committee).

Prof. Menge begins by showing that in any ordinary business, the capitalized investment is recovered in the form of tax credits for depreciation or amortization, "but never both. To allow a firm to depreciate and amortize the same asset would allow the deduction of the same cost twice. . . . A good trick if you can do it—and you can do it. You can do it if you happen to own mineral deposits, an oil well, for example."

Prof. Menge takes the case of an Acme Oil Co. which spends $500,000 in exploratory drilling. It drills 20 holes and one proves to be productive. It charges off $300,000 as current drilling costs and capitalizes the remaining $200,000, to be depreciated in 10 years at $20,000 a year. If its current revenue from the successful well is $500,000, it deducts from this $300,000 in current drilling costs, $100,000 in sales and miscellaneous expense and $20,000 in depreciation. This leaves a net income of $80,000. So far it writes off its investment like any other business.

But now the depletion allowance comes into play. Acme Oil Co. is allowed to take 27½ percent of its current revenues as a depletion allowance up to 50 percent of net income; 27½ percent of $500,000 is $137,500. But since net income is only $80,000, all Acme can take is 50 percent of that or $40,000. This reduces its total taxable net income to $40,000.

"Now the average oil well," Prof. Menge explains, "has a life of approximately 20 years and if a fairly constant rate of exhaustion is assumed . . . the average annual total income over its productive life will be about $40,000 a year. Determining the depletion allowance on the basis of 50 percent of total income, the average annual depletion allowance would amount to $20,000. Multiplied by 20 years, this is $400,000.

"Therefore, an asset, an oil well that cost $200,000 is written off against revenue to the extent of $600,000, $200,000 as depreciation and $400,000 as depletion. There is the possibility that firms can do even better than this, especially where the net profit is sufficiently great to allow the full 27½ percent of gross revenue to be deducted from profit."

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Black and Douglas Dissent From Rejection of Chandler Davis First Amendment Appeal

The Supreme Court Refuses to Interfere With Our Own Iron Curtain

How easily we take to Iron Curtainism. The Supreme Court last Monday refused to hear the appeals of Congressman Charles O. Porter (*D. Ore.*), Waldo Frank and William Worthy, Jr., against arbitrary State Department action shutting off travel to Communist China. In the *Kent* and *Briehl* cases, the Court held that without specific statutory authorization the State Department could not deny passports on the grounds of political belief and association. The Supreme Court in these cases was asked to answer two similar questions. Can the State Department without specific authorization shut off whole countries from travel by American citizens, including members of Congress? Can it pick-and-choose, allowing certain newspapermen passports for China, but not others? The Court declined to answer.

If Congress Cared About Its Right to Know

If Congress were jealous of its prerogatives, it would now pass a resolution directing Mr. Porter to visit China and report on conditions there, thus sharply challenging the Department's power under more precise circumstances.

The Department in its original "Memorandum of Points and Authorities" in the Porter case in the District Court, said "stripped of its trappings the contemplated travel to China is *not that of an authorized member of Congress having an authorized legislative purpose, but* that of a U.S. citizen who desires to enter an area which has been restricted for travel in the public interest (including the ultimate interest of preventing war). . . ." The petition for certiorari in the Porter case called the Supreme Court's attention to the fact that the words in italics were "deleted by typewritten x's". Obviously the Department is not quite sure what it would do if Congress authorized a member or a committee to enter China.

If American editors cared deeply about freedom of the press and ideas, they would protest the denial of a passport to Mr. Frank and the withdrawal of Mr. Worthy's passport because he would not promise naughty-boy-to-irate-nursemaid fashion that he would never, but never, visit China again. They would also protest the idea that the State Department should be allowed to handpick 30 reporters for China travel and bar others.

Eliz. Bentley Victim Wins Passport

The State Department last Monday delivered a passport to the economist Victor Perlo, one time New Deal government employe who was smeared in the Elizabeth Bentley affair. Mr. Perlo applied for a passport in May, and a month later was served with interrogatories asking him whether he had ever engaged in espionage, known Miss Bentley or Whittaker Chambers, etc. In July Mr. Perlo submitted a sworn reply saying that he had never engaged in espionage and that the Bentley charges had been before several grand juries in 14 years without action. The Department procrastinated and on Dec. 1, Mr. Perlo filed suit. The Department's answer was to issue the passport.

There was an unnoticed passport angle in the Horace Chandler Davis contempt case which the Supreme Court also refused to hear last week. One of the three areas in which the House Un-American Activities Committee tried unsuccessfully to question Dr. Davis in Lansing, Michigan, in 1954 was his failure to protest or appeal a State Dept. action revoking his passport as the result of information from an anonymous informant. The other two areas were his political views and associations while a student at Harvard in the 30s and his part in a pamphlet, "Operation Mind" which attacked the Committee. Justice Black and Douglas noted that they thought the Davis case should have been heard. But of all the pending 30 First Amendment contempt cases, that of Davis was most like the Barenblatt case and the appeal looked hopeless from the start. This young mathematics teacher must now serve 6 months in jail and pay a $250 fine. If a mathematician were fired from his academic post and sent to jail somewhere in the Soviet bloc for refusing to inform on suspected oppositionists, our "free world" press would be making him a hero. As it is, the rejection of his appeal by the Supreme Court is dismissed in a few obscure paragraphs. As we go to press, word comes that Dr. Willard Uphaus surrenders Monday, Dec. 14, to the authorities in Concord, New Hampshire. They can hold him in jail for the rest of his life if he refuses to turn over the guest list of his peace fellowship summer camp. This is freedom in our "free world."

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NEWSPAPER

Entered as Second Class Mail Matter Washington, D. C. Post Office

I. F. Stone's Weekly. Entered as Second Class Matter at Washington, D. C., under the Act of March 3, 1879. Post-dated Mondays but published every Thursday except the last two Thursdays of August and December at 5618 Nebraska Ave., N. W., Washington 15, D. C. An independent weekly published and edited by I. F. Stone; Circulation Manager, Esther M. Stone. Subscription: $5 in the U. S.; $6 in Canada; $10 elsewhere. Air Mail rates: $15 to Europe; $20 to Israel, Asia and Africa.

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